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November 8, 2007

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PUBLIC SERVICE
COMMISSION

Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
P.O. Box 615
Frankfort, KY 40602

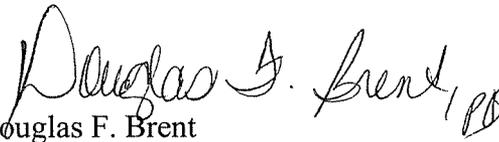
RE: Case No. 2007-00162

Dear Ms. O'Donnell:

Enclosed please find an original and ten copies of a Reply in Support of Motion for Full Intervention in the above reference case. Please indicate receipt of this filing by your office by placing a file stamp on the extra copy and returning to me.

Very truly yours,

STOLL KEENON OGDEN PLLC


Douglas F. Brent

Enclosures

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF NORTH CENTRAL TELEPHONE)
COOPERATIVE CORPORATION TO ADJUST RATES) CASE NO.
AND CHARGES FOR BASIC LOCAL EXCHANGE) 2007-00162
SERVICE EFFECTIVE NOVEMBER 12, 2007)

REPLY IN SUPPORT OF MOTION FOR FULL INTERVENTION

MCImetro Transmission Access Transmission Services LLC, d/b/a Verizon Access Transmission Services, MCI Communications Services, Inc. d/b/a Verizon Business Services, Bell Atlantic Communications, Inc. d/b/a Verizon Long Distance, NYNEX Long Distance Company d/b/a Verizon Enterprise Solutions, TTI National, Inc., Teleconnect Long Distance Service & Systems d/b/a Telecom*USA and Verizon Select Services, Inc. (collectively, “Verizon”) submit this reply to North Central Telephone Cooperative Corporation’s (“NCTC”) objection to Verizon’s motion for full intervention in the above-captioned proceeding.

Verizon provides interexchange service in Kentucky and purchases tariffed access services from NCTC, the applicant in this proceeding. NCTC claims Verizon should not be permitted to intervene because it is “not a member of the North-Central co-op.” Response, at 1-2. But NCTC’s own prefiled testimony contradicts this claim. It states: “In accordance with Article I, Section I of NCTC bylaws, any customer, upon receipt of telecommunications and communications service, instantaneously becomes a member of the Cooperative.” Testimony of Thomas M. Strait, at 5. Verizon receives such services as a customer of NCTC and based on NCTC’s own bylaws is a member of the cooperative. And leaving the bylaws aside, there is no disputing that Verizon is a customer of NCTC.

As an access customer wholly-dependent on NCTC for certain services, Verizon has a concrete interest in the financial condition of the cooperative. NCTC has made its allegedly deteriorating financial condition the centerpiece of its rate application. NCTC claims that its expenses are growing at a faster pace than its revenues, and that it “is facing unprecedented assault from alternative providers of the company’s core business, telecommunications.” Testimony of F. Thomas Rowland, at 5.

Having put its finances at issue, NCTC cannot object to having its own ratepayer participate in its rate case. Contrary to NCTC’s arguments, the fact that Verizon is a wholesale, rather than retail, customer does not change the analysis.¹ Indeed, the Commission recognizes that large commercial customers may be “well-positioned to present issues and develop facts that will assist the Commission in fully considering the matter at hand.” *See Investigation of the Financial Condition of East Kentucky Power Cooperative*, Case No. 2006-00564 (April 19, 2007).

Although NCTC has filed an application to adjust rates for only retail customers, in a KRS 278.190 rate case, proposed increases are not considered in isolation, but typically involve a broad examination of a company’s revenues, expenses, and other rates. Indeed, the Commission has already rejected an attempt by NCTC to use a tariff filing, rather than a complete rate application, to make the rate changes it proposes here. In its July 27, 2007 order, the Commission found that Kentucky statutes and regulations required greater justification to support the “significant changes” in North Central’s tariff. *North Central Telephone Co.*, Case No. 2007-00162, Order at 2. Rather than unduly complicating this rate case, Verizon’s

¹ NCTC incorrectly states that Verizon is an “access provider” (NCTC Response at 2); Verizon instead *purchases* access services.

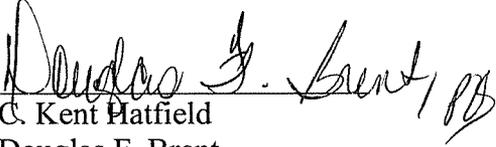
participation is likely to help the Commission develop facts that will assist the Commission in fully considering NCTC's application.

Among the data the Commission should examine is information related to expenses and rates for switched access services. For example, NCTC's tariffed rate derived from the "Non-Traffic Sensitive Revenue Requirement" ("NTSRR") is among the highest in the state, at more than eight dollars per line per month. NCTC charges Verizon more than twice as much to terminate intrastate interexchange traffic to NCTC in Kentucky than it does for the same service in Tennessee. Thirteen years ago, in approving tariffs to recover the NTSRR, the Commission ordered as follows: "Cost recovery shall be limited to the incremental investment and incremental expenses directly related and solely to providing intraLATA equal access." Adm. Case No. 323, Phase I, Order at p. 29 (December 29, 1994) (emphasis added). This general rate case, which will include a thorough examination of NCTC's operations and costs, is an appropriate forum to consider whether NCTC has fully recovered equal access-related expenses. *See generally Kentucky Industrial Utility Customers v. Kentucky Utilities Co.*, Ky., 983 S.W.2d 493, 497 (1998).

Verizon pays NCTC approximately \$30,000 per month for intrastate access services. Because Verizon is one of the largest, if not the largest, customers of NCTC, it has a direct interest in any examination of rate levels which may occur in this proceeding. Among other things Verizon may assist the Commission's inquiry into NCTC's accounting for depreciation expense. This issue may relate directly to whether NCTC's Kentucky access rates—which even NCTC admits are very high [*See* Testimony of Gentry B. Underhill, Jr., at 12]—should be adjusted as part of this proceeding.

Finally, NCTC has asked the Commission to waive certain filing requirements related to jurisdictional summaries of financial data. *See* Application, par. 34. In objecting to Verizon's motion to intervene, NCTC claims any interest in this waiver request could not be a special interest within the meaning of the regulation governing intervention. NCTC is incorrect. Verizon's special interest here, represented by no party, is to ensure that NCTC files enough information to give the Commission a complete understanding of its finances, which have not been scrutinized for the last twenty years. To use a common metaphor, NCTC's local rates are the tip of an iceberg. Waiving standard filing requirements in a rate case could prevent the Commission from determining just how large that iceberg is.

For all the reasons discussed above, Verizon's participation is likely to assist the Commission without unduly complicating the proceedings. The Motion for Full Intervention should be granted.



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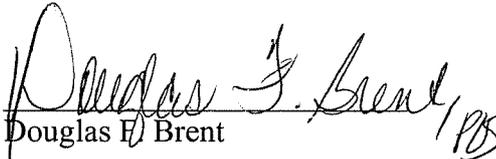
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing Motion for Full Intervention has been served by hand on those persons whose names appear below this 8th day of November, 2007.

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